

INTRODUCTION

Child Care Resources (CCR) entered into contract number 4C-02-39001-3 with the Michigan Family Independence Agency (FIA) to provide child care referral, child care resource coordination, recruitment, provider support, outreach, and Project Zero child care specialist services. CCR submitted monthly billings to FIA for actual costs incurred for the services provided. The original contract totaled \$606,145, and covered the period October 1, 2002 through September 30, 2003. Contract number 4C-02-39001-3 was extended to cover the period October 1, 2003 through September 30, 2004, for an additional \$606,145.

OBJECTIVES AND SCOPE

The Office of Internal Audit performed an audit of Child Care Resources to determine if the agency's billings were accurate, and if costs billed were allowable and properly supported by the accounting records and other relevant documentation, in accordance with the terms of the contract. Our audit covered the period October 1, 2002 through January 31, 2004. Our audit scope was limited to an evaluation of controls and procedures, and examination of records that were relevant to the 4C contract, and did not include an evaluation of the controls and procedures of the entire operation of Child Care Resources. Our audit was performed in accordance with applicable professional standards issued by the Institute of Internal Auditors. Accordingly, we included tests of Child Care Resources' records and other procedures that we deemed necessary for the specific scope and objectives of this audit.

EXECUTIVE SUMMARY

Based on our audit, we conclude that Child Care Resources' timekeeping procedures need improvement in order to fully comply with federal regulations for billing salaries and wages to federal programs.

AGENCY RESPONSE

Child Care Resources did not respond to our draft report.

FINDING AND RECOMMENDATION

Salaries

1. CCR did not properly document employees' time and activity for each of the contracts per federal requirements. Federal Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, states in part "Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professional and non-professional) whose compensation is charged, in whole or in part, directly to awards. The reports must reflect an *after the fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization."

All Child Care Resources employees maintained time sheets that documented the time they worked each day. However, they did not record the number of hours worked on each program, and charges to each program were based on periodic time studies. Child Care Resources had adequate documentation that their employees provided the services required by the contract, and the amounts charged for each employee appeared reasonable. Therefore, we are not recommending recoupment of any amounts CCR billed for salaries.

WE RECOMMEND the Adult and Family Services Administration ensure that Child Care Resource implements timekeeping procedures to comply with OMB Circular A-122.